

# CHAPTER XI

## Armed Forces

The Royal Audit Authority conducted the special audits of the Royal Bhutan Army and the Royal Bhutan Police. The audit mainly focused on the critical areas such as the constructions and procurement. The report also includes observations on the audit of Uniform procurements of the RBA and the RBP. The RAA observed the following irregularities:

### Royal Bhutan Army

**Table 1.49: Showing the nature of observations by different categories.**

Sl.No	Nature of observations	Amount (Nu. millions)	%
1	Purchase of uniform materials without inviting quotations	5.16	25
2	Purchase of materials in excess of actual requirement resulting in blockade of funds.	1.93	9
3	Non-deduction of tax from suppliers	0.77	4
4	Non-accountal of stock	1.016	5
5	Payment without supporting bills	0.152	1
6	Estimates:was it unrealistic?	2.60	13
7	Award of work without floating open tender	7.735	37
8	Irregular exemption of import duty	1.10	5
9	Urgent purchases: an excuse to purchase materials without observing purchase formalities	0.225	1
<b>Total</b>		<b>20.688</b>	<b>100</b>

### Major Findings

#### **1 Purchase of uniform materials worth Nu. 5.16 millions without inviting quotations.**

It was observed that the RBA purchased uniform materials worth over Nu. 5.16 million from M/s Siliguri Trading House without calling quotations. The rate per meter of uniform materials was more by Nu. 110.00 as compared to that of ODIA. Similarly, non-ordnance clothing items worth over Nu. 0.4 million were purchased from the same firm without following the procurement formalities.

***Services of all officers involved in these transactions were terminated.***

## **2 Purchase of materials in excess of actual requirement resulting in blockade of funds (Nu.1.94 millions).**

Physical verification of uniform materials revealed that materials worth over Nu. 1.94 millions were purchased in excess of requirement, which resulted in blockade of funds.

***The RBA had informed the RAA about the action being taken to dispose off the excess materials.***

The RBA still have to justify why excess materials were purchased in the first place beside fixing responsibility on those officials responsible for procuring without assessing the realistic requirement.

## **3 Non accountal of stock.**

It was observed that timbers worth Nu. 0.626 million purchased for the renovation of the guesthouse at Phuntsholing was not physically available during the physical verification. Similarly, champ wood worth Nu. 0.272 million sent to Phuntsholing from Tencholing were found short during the physical verification. Crockery items valuing Nu. 0.118 million were not available during physical verification at guesthouse, Tencholing.

***The RAA is informed that the M/s Green Wood Manufacturing Company would be asked to account for 957 Cft after confirmation of the rate amongst RBA, RAA and GWMC.***

***The responses further stated that the services of officers involved in some of these transactions were terminated and therefore, do not wish to punish them twice for the same offence.***

***The response also stated that the crockery items were taken into proper account.***

The RAA regrets the failure of RBA to account for government properties and resources even after lapse of more than 3 years.

## **4 Payment without supporting bills.**

Bills for miscellaneous items worth Nu. 0.051 million purchased for the renovation of guesthouse, Phuntsholing were not produced for verification.

***Nu.0.02 was deposited into Audit Recoveries Account and the bills for the balance amount was submitted to the RAA.***

## **5 Purchases made from outside Bhutan.**

The RBA had made procurements for guesthouse at Phuntsholing from outside Bhutan disregarding the government rules and regulations.

***It is intimated that such procurements are prohibited.***

## **6 Uneconomical expenditure on transportation.**

It was observed that 600.86 cft teakwood was transported from Sarpang to Phuntsholing via Wangdue for sawing and fabrication in spite of sawing and fabrication facilities available at Wangdue and Thimphu.

***The justifications provided by the RBA were to reduce wastage and to cut the logs into the required specifications for fabrication works.***

## **7 Estimates: was it unrealistic?**

The profile of the guesthouse at Tencholing prior to dismantling were not drawn up and kept on record to assess the extent of renovation and the requirement of materials. A comparative analysis of DNP's estimates made with reference to RBA's revised estimate showed that the RBA's cost estimate was higher by Nu. 2.60 millions.

***The RBA had stated that this observation would be given due consideration in all their similar activities in future. Here too, services of officers involved were terminated.***

## **8 Award of work without floating open Tender.**

The RBA awarded the renovation of guesthouse, Tencholing to M/s H. & K. Co. on the revised estimate without approval and without having negotiated the rates. Similarly, the contract for construction of prefabricated accommodation was also awarded to M/s H. & K. Co. without calling quotations. Non-compliance of required procedures and lack of transparency of process of awarding contract resulted in poor accountability, disregard to economy and significant overpricing by Nu. 3.025 millions. Deviation and changes in plinth area for construction of the prefabricated accommodation at Bangtar from the original estimate had resulted in extra cost of Nu. 4.71 millions.

***The RBA had assured that future procurement of goods, works and services would be strictly in terms of Guidelines in the Procurement Manual.***

## **9 Irregular exemption of import duty.**

The Royal Bhutan Army procured over Nu. 6 million worth of GI pipes from M/s Goma Enterprise, Phuntsholing. Exemption of import duty was neither provided in the NIQ or in the supply order. However, the RBA issued import duty exemption certificate worth over Nu. 1.10 millions which was irregular. The tendering process for the GI pipes was not transparent and competitive since the NIQ was limited to only 6 firms. Whereas the NIQ was found issued on 31<sup>st</sup> July 1999, M/s Goma

Enterprise submitted their bids on 1<sup>st</sup> August 1999 indicating the use of inside information for bidding to their advantage. Quotations were also found to be unsealed.

***The RAA is informed that the officers involved in this case were either compulsorily retired or terminated from services.***

As the matter has been found not attended for more than 3 years and that the exemption was processed through Ministry of Finance, the RBA is advised to provide a concrete justification for the Import Duty Exemption. The failure to take appropriate action would warrant recovery with commercial interest.

## **10 Exorbitant prices paid for the GI pipes.**

A comparative analysis of prevailing market rates obtained from STCB and the Central Store, Phuntsholing to that of rates quoted by M/s Goma Enterprise for the GI pipes revealed huge variations between the rates. The rates quoted by M/s Goma Enterprise were high by more than 100% in some pipes. Therefore by not using the services of the STCB, the RBA had paid substantial cost difference to M/s Goma Enterprises.

***The RAA is informed that the officers involved in this case were either compulsorily retired or terminated from services.***

The RAA expects the RBA to comply with government rules and orders.

## **11 Urgent purchases: an excuse to purchase materials without observing purchase formalities.**

It was observed that the RBA had purchased galvanized concertina wires, angle iron posts, barbed wires and U nails worth over Nu. 2.7 millions from M/s Goma Enterprises and M/s Sharma Engineering Works without inviting quotations. The purchases were made based on the quotes of previous years for different works at different places. Nature of the work being very urgent was cited by the RBA as the reason for not observing the purchase formalities. However, it was observed that the reasons submitted by the RBA for not calling fresh quotations were not true since the suppliers did not supply the materials on the time agreed and that penalties/liquidated damages were not levied by the RBA. The purchase of concertina wires without calling fresh quotations had resulted to an excess payment of Nu. 0.225 million to M/s Goma Enterprise.

***The RBA had stated that such procurements were made in 1999 but on the basis of quoted rate called by RBP in 1997. The response further stated that the liquidated damages were waived off by competent authority in the RBA, Headquarters.***